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TRENDS IN THE DEVELOPMENT OF THE INSURANCE MARKET IN BULGARIA, LITHUANIA AND UKRAINE IN THE CONTEXT OF GLOBAL INSTABILITY (2008-2016)

Summary. *The paper examines the development of the insurance market in Bulgaria, Lithuania and Ukraine and its change, focusing on the novelty of the topic. The essence of the insurance market as well as the state of the individual markets in the three countries are reflected. The main issues related to the insurance market are presented and discussed. A brief overview of developments in gross domestic product, gross premium income, insurance penetration, and country insurance coverage is provided. The main factors influencing the development of the insurance market are discussed and highlighted. There is a qualitative and quantitative analysis of the development of the general insurance market.*

Key words: *insurance market, gross written premiums, GDP, insurance penetration, insurance density*

Introduction. Insurance is part of the economy because it is related to certain economic relations. These are related to the formation and distribution of an insurance fund. This fund is formed by the insurance contributions that are

collected by the insured persons. Entities of the insurance market are above all insurance companies that offer insurance and insurance candidates looking for insurance protection. An important subject of the insurance market is also the insurance intermediaries that facilitate the connections between insurers and consumers. The place of insurance in the economy of a country is characterized by the indicators: insurance penetration and insurance density[1].

The purpose of this study is to trace trends in the development of the insurance market in Bulgaria, Lithuania and Ukraine, in particular the macroeconomic indicators that characterize it and to show which of the above-mentioned countries the insurance market is more developed.

The fulfillment of the main objective and the proof of the main thesis is related to solving the following more important tasks:

- outline the trends and trends in the development of basic macroeconomic indicators for the period 2008-2016.
- outline the trends and trends in the development of the gross premium income for the period 2008-2016.
- outline the trends and trends in the development of insurance penetration for the period 2008-2016.
- outline the trends and trends in the development of the insurance density for the period 2008-2016.

The status and development of the assets and liabilities of the insurance companies, the structure of the company's investment portfolio, the solvency margin and the insurance and technical reserves remain outside the scope of the survey. Outside of the survey remains the development of the premium income realized by the insurance intermediaries, as well as the development of the structure of the insurance market by type of insurance.

Analysis of recent researches and publications. In the insurance literature the functioning of the insurance market has been highlighted in the works of such scholars as Vasilev [1], Draganov [2], Mitkov [3] and others. There has been much less research conducted in the area development of insurance market in Ukraine and Lithuania. This is explained by the fact that the insurance market in the three countries is explored differently due to its specificity and area.

Earlier unresolved parts of the problem. Prospects for the development of insurance markets in individual countries require more in-depth analysis. It is particularly interesting to establish levels of development of insurance penetration and insurance density and individual indicators in these markets.

Goal of the of scientific work. Object of research is the insurance market in Bulgaria, Lithuania and Ukraine for the period 2008-2016 year. The subject of the survey is the peculiarities and problems faced by insurance companies in realizing the gross premium income in the conditions of global instability.

The main results of the research. The Gross Domestic Product/GDP/indicator is tested as it is used in the calculation of the insurance penetration indicator. It is one of the most important indicators determining the

development of an economy and is the ultimate result of the business activity of the economic entities. Gross domestic product is a major indicator reflecting the state of the national economy. Based on its data, both the incomes of the population, its purchasing power and its standard of living can be assessed.

Gross domestic product measures the amount of finished goods and services produced in the economy for a given period (usually one year). Gross domestic product can be presented in nominal and real terms. Nominal Gross Domestic Product is the value of goods and services measured at current prices /at the prices of the respective year/. A better measure of economic well-being is the real gross domestic product, which shows the value of the goods if the quantities have changed, but prices - no, at comparable (constant) prices.

The data in Table 1 show that during the period 2008-2016 the growth rate of Gross Domestic Product in Bulgaria has increased significantly. Continuous economic growth is observed both in the base year and in each subsequent year of the period. The exception is only 2009 when the negative rate of change (-0.3% compared to the previous year) was reported as a result of the financial and economic crisis. The slow but real growth of the economy since 2009 is largely due to the stable banking system, the currency board and the EU funds. The absorption of EU funds has had a significant impact on the positive growth of the economy.

Table. 1.

Development of Gross Domestic Product in Bulgaria, Lithuania and Ukraine for the period 2008-2016.

Year	Gross Domestic Product Bulgaria	Real annual growth	Gross Domestic Product Lithuania	Real annual growth	Gross Domestic Product Ukraine	Real annual growth
	Billion /Euro/	(%)	Billion /Euro/	(%)	Billion /Euro/	(%)
2008	36.45	x	32.70	x	91.27	X
2009	36.08	-0,3	26.94	-17.6	82.72	-35.2
2010	36.76	1,3	28.00	3.9	102.08	12.4
2011	40.10	1,8	31.25	11.6	126.35	20.3
2012	41.95	1,8	33.35	6.7	133.31	7.9
2013	42.01	0,5	35.00	4.9	132.7	2.5
2014	42.76	2,0	36.59	4.5	82.51	- 22.1
2015	45.29	3,3	37.33	2.1	79,1	-31.6
2016	47.36	3,4	38.63	3.4	83.85	2.3

Source: <http://ec.europa.eu> , <http://www.oecd.org/> , www.xprimm.com and own calculations

In 2016 the Bulgarian economy reached its highest growth rate since 2008, with gross domestic product in real terms increasing by 3.4%. Despite the positive development trend, Gross Domestic Product is still below the level of development since the years before Bulgaria's accession to the European Union.

That is not the case with the other two countries, Lithuania and Ukraine. In Lithuania, like Bulgaria, there is a continuous economic growth in relation to the base year and to each subsequent year of the period. The exception is only

2009 when the negative rate of change (-17.6% compared to the previous year) was reported as a result of the financial and economic crisis. In Ukraine, there is a negative trend towards the other two countries. Until 2012 there is a continuous economic growth, followed by a sharp economic downturn. A positive trend is that economic recovery is set in 2016. The reasons for the serious economic downturn are political crisis, military action and economic sanctions. In conclusion, for the survey period 2008-2016, the growth rate of icons in Bulgaria was 29.9%, Lithuania 18.3%, and Ukraine -8.2%.

The insurance market is defined as a pool of potential users of insurance services, insurance companies that offer these services, and intermediaries that create additional prerequisites for the implementation of the purchasing process. Insurance specialists, such as Draganov[2], define the insurance market as a special socio-economic category with a certain structure of monetary relations where the object of the purchase is the insurance. The relations between the insurer and the insured are governed by the insurance contract. It represents "an agreement between an insurer who, against a fixed amount called an insurance premium, undertakes to pay the insured a certain amount of money (insurance indemnity or insurance amount) upon the occurrence of an insurance case or other condition stipulated in the contract".

A well-developed insurance sector is an integral part of any modern economic system. In the economic area of the European Union, the contribution of the insurance sector to the economies of the Member States is of the utmost importance. Provided insurance protection against the consequences of adverse events enables companies and citizens to receive monetary compensation and to cope with the difficulties encountered.

Insurance helps to achieve stability in the economies of individual countries. The main measure of the state and development of the insurance market gross premium income. The economic nature of premium income is reflected in the fact that it forms part of the national income (or part of the gross domestic product). It is generated by policyholders to ensure their interests from the adverse impact of adverse events.

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The data in Table 2 show that in 2016 the gross premium income of all insurance companies in Bulgaria, Lithuania and Ukraine is positive. For Bulgaria the increase is 4.2%, Lithuania - 10.0% and Ukraine -18.3%.

Table. 2.

Development of Gross written premiums in Bulgaria, Lithuania and Ukraine for the period 2008-2016.

Year	Gross written premiums Bulgaria	Real annual growth	Gross written premiums Lithuania	Real annual growth	Gross written premiums Ukraine	Real annual growth
	million /Euro/	(%)	million /Euro/	(%)	million /Euro/	(%)
2008	925	x	576	x	2.211	X
2009	860	-6,8	447	-22.4	1.785	-14.9
2010	830	-3,5	450	0.6	2.183	12.9
2011	825	-0,8	492	9.3	2.203	-1.7
2012	820	-0,6	518	5.2	2.041	-7.3
2013	884	7,7	563	8.7	2.596	33.3
2014	907	2,6	601	6.7	1.392	-6.6
2015	1.004	9,9	645	7.3	1.134	11.1
2016	1.048	4,2	710	10.0	1.237	18.3

Source: <http://ec.europa.eu> , <http://www.oecd.org/> , www.xprimm.com, www.forinsurer.com , www.lb.lt and authors' calculations.

There are also two trends, one with Bulgaria and Lithuania showing a steady upward trend in premium income for the whole period of the survey, and the second with Ukraine we have an alternation of decrease in the initial period after a slight increase, then also a decrease and we have a positive increase at the end of the period. This means that the insurance market in Ukraine is slowly recovering. The reasons for this increase of 18.3% are: growth in life insurance segment, increase in non-government compulsory insurance (MTPL, Green Card), increase in health insurance, increase in property and cargo insurance, increase in reinsurance insight of the country.

The aforementioned growth rates of the insurance market in Bulgaria, Lithuania and Ukraine are significantly higher than the rates of macroeconomic indicators and of the indicators for the development of important economic sectors. The achieved results are due to three main factors: macroeconomic stabilization, timely changes in the legal framework of the insurance activity, good control over the insurance sector by the insurance supervision. Despite these good outcomes, the insurance market remained modest in this period compared to the markets of developed European countries.

The rate of growth of premium income after 2010 is growing more slowly than in the previous years. One reason for the insufficient development of the market is the economic and financial crisis that has occurred since 2008. The crisis is structural and covers all areas of the economy. In less developed countries such as Bulgaria and Ukraine, the consequences are considerably more severe than in Lithuania and the highly developed industrial economies, where the effects of the crisis appear to be weaker.

The data in Table 2 show that for the whole survey period 2008-2016 the rate of growth of premium income in Bulgaria increased by 13.3%, Lithuania

by 23.3%, indicating that the Lithuanian insurance market developed - Quickly. In Ukraine, there is an opposite trend. For the entire survey period 2008-2016, premium income declined by nearly 44.0%, which is close to ½. The results show that in the conditions of lasting macroeconomic stability in recent years, the insurance sector in Ukraine has the opportunity to develop positively.

Unlike gross premium income giving only quantitative representation of the amount of premiums written as absolute values, insurance penetration takes into account the change in the role of insurance for economic development. Insurance penetration is calculated as the ratio of gross premium income to gross domestic product as a percentage. It is one of the most important indicators and reflects the place of insurance in the overall economic activity of the country. The other indicator used in the insurance sector to measure the place of insurance in the economy is "insurance density". Insurance density shows the contribution of each user of insurance services to an increase in the volume of premium income realized by insurance companies. Unlike premium income and insurance penetration, it is calculated as a ratio between the gross premium income for a given period and the population over the same period. The population density in the country is also used in calculating the insurance density.

Table. 3.

Indicators which estimate the insurance market in Bulgaria, Lithuania and Ukraine for the period 2008-2016.

Year	Total premiums per capita (Density)	Total premiums to GDP (Penetration)	Total premiums per capita (Density)	Total premiums to GDP (Penetration)	Total premiums per capita (Density)	Total premiums to GDP (Penetration)
	Bulgaria		Lithuania		Ukraine	
	/Euro/	(%)	/Euro/	(%)	/Euro/	(%)
2008	121.7	2.5	180	1.76	48	2.4
2009	114	2.4	141	1.66	39	2.2
2010	110	2.3	145	1.6	48	2.2
2011	113	2.0	162	1.58	48	1.7
2012	113	2.0	173	1.55	45	1.5
2013	122	2.1	190	1.6	57.4	1.96
2014	126	2.1	205	1.64	32.5	1.7
2015	141	2.2	22	1.73	26.6	1.5
2016	148	2.2	248	1.84	29.1	1.48

Source: <http://ec.europa.eu> , <http://www.oecd.org/> , www.xprimm.com
www.forinsurer.com , www.lb.lt and authors' calculations.

The data in Table 3 show that during the period 2008-2016, insurance penetration in Bulgaria ranged between 2.2% and 1.6-1.8% for Lithuania. Its growth confirms the tendency to increase the importance of the insurance sector for the national economy as a result of its outdated development dynamics. The rate of development of insurance penetration in Ukraine reports a direction to decrease. At the beginning of the period in 2008-2010, it ranged between 2.2-

2.4%, while at the end of the period the insurance penetration was 1.5%, which is a decrease of nearly 38%.

The data in Table 3 show that the insurance density in Bulgaria and Lithuania in the period after 2009 gradually increased to 148 euro in Bulgaria and 248 euro respectively in Lithuania. There is also a steady upward trend in insurance density throughout the survey period. This means that residents of the country allocate more money for insurance. There is a tendency in Ukraine to reduce the insurance density to nearly 30 euros in 2016. For the whole period 2008-2016 the growth rate of the insurance density in Bulgaria is 21.3%, in Lithuania - 37.7% and Ukraine - / - 37.5% / or close to 1/3.

Conclusions. The outlined trends give grounds for the following conclusions:

1. Lithuania's Gross Domestic Product growth rate outstripped the growth rate of gross domestic product of Bulgaria and Ukraine.
2. The growth rate of the gross premium income of the insurance companies in Bulgaria exceeded the rate of growth of the gross premium income of Lithuania and Ukraine.
3. The growth rate of insurance penetration in Bulgaria exceeded the growth rate of insurance penetration in Lithuania and Ukraine.
4. The growth rate of the insurance density in Lithuania outstripped the growth rate of the insurance density in Bulgaria and Ukraine.

With increasing population incomes and declining unemployment in Bulgaria, Lithuania and Ukraine, the purchasing power of the population is expected to increase, thus increasing the premium income of insurance companies, and hence the indicators that characterize the place of insurance for the development of economy.

In spite of the observed growth rate of the insurance penetration indicator in Bulgaria (2.2%) and Lithuania (1.8%), it is still not sufficiently developed compared to insurance in the European Union. With regard to the insurance penetration indicator, Bulgaria and Lithuania are ranked one of the last places among European countries. To reach average European levels, insurance penetration, which is now 1.8-2.2%, is expected to increase more than threefold to reach the EU average of 7.6%. On the other hand, insurance penetration in Bulgaria is close to the level of the Central and Eastern European countries, where the average value of the indicator is 2.5%. On the other hand, insurance penetration in Ukraine (1.5%), although lagging behind the indicator in countries such as Bulgaria, Lithuania and other Central and Eastern European countries, has a value higher than the average level of the penetration indicator in the CIS where the average size of the metric is 1.24%.

With regard to the indicator of insurance density, which characterizes insurance in Bulgaria (EUR 148) and Lithuania (EUR 248), it is also not sufficiently developed compared to insurance in the European Union. With regard to the insurance density indicator, Bulgaria ranks among the last among the European countries, where Europe averages 1843 euros and the average for

Central and Eastern Europe is 309 euros. In Lithuania, with respect to this indicator, they reach almost the average level of the CEE countries. On the other hand, however, the insurance density in Ukraine (30 euros) lags behind the indicator, both from Bulgaria, Lithuania and other CEE countries, and also from the CIS countries where the average amount of the indicator is EUR 77.

For the successful development of the insurance market and reaching the levels in the European Union it is necessary to offer new insurances and a new way of offering the insurance service in connection with the increase in the development of information technologies in recent years.

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MUNICIPAL REFORM AS A MEANS TO PROVIDE NATIONAL IDENTITY UNDER CONDITIONS OF GLOBALIZATION

Summary. *The article considers the vital component of regional integration and development of administrative-territorial systems. The analysis of the formation and development of the administrative-territorial systems of the most European countries, the U.S.A., and Ukraine has been carried out. The study of municipal governance in the conditions of globalization was conducted. The main problems of administrative activity in modern conditions of municipal system reforming are analyzed. The influence of globalization on the socio-economic development of municipalities was analyzed. The basic models of the organization of management of administrative-territorial systems of the municipal level were investigated.*

Key words: *municipal reform, corporate transformation, municipal management, globalization, local governing institutions, European Union.*

Problem statement. Modern trends of human civilization development are characterized with a number of integrative processes where globalization processes, regional integration, and municipal reform are the most considerable.